

Message Text

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17

ACTION EB-11

INFO OCT-01 EUR-25 EA-11 IO-14 ISO-00 AF-10 ARA-16 NEA-14

RSC-01 AGR-20 CEA-02 CIAE-00 COME-00 DODE-00 FRB-03

H-03 INR-11 INT-08 L-03 LAB-06 NSAE-00 NSC-07 PA-04

AID-20 CIEP-03 SS-20 STR-08 TAR-02 TRSE-00 USIA-15

PRS-01 SP-03 OMB-01 SWF-02 FEA-02 DRC-01 /248 W

----- 111745

R 112237Z SEP 74

FM AMEMBASSY CANBERRA

TO SECSTATE WASHDC 4063

INFO AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY COPENHAGEN

AMEMBASSY DUBLIN

AMEMBASSY THE HAGUE

AMEMBASSY LONDON

AMEMBASSY LUXEMBOURG

AMEMBASSY PARIS

AMEMBASSY ROME

USMISSION EC BRUSSELS UNN

V/USMISSION GENEVA 0352

USMISSION OECD PARIS UNN

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PASS: AGRICULTURE FOR MEEKER AND HURT

EO 11652: N/A

TAGS: EAGR, ETRD, EGEN, AS, EEC

SUBJ: AUSTRALIA/UK SUGAR DISCUSSIONS

REF: EC BRUSSELS 6894

1. U.K. SUGAR SITUATION AND AUSTRALIAN NEGOTIATIONS NOW

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PROCEEDING IN LONDON WAS DISCUSSED IN SOME DETAIL TODAY BY AGATTACHE

WITH OFFICIALS DEPARTMENT OF NORTHERN DEVELOPMENT. DESPERATE SUGAR SHORTAGE IN UK AS WELL SHORT SUPPLY OTHER FOODSTUFFS IS NOW BECOMING STRONG POLITICAL ISSUE IN UK, AND IS EXPECTED BY GOA TO BECOME MAJOR FACTOR ON WHICH LABOUR GOVERNMENT WILL FIGHT FORTHCOMING ELECTION. GOA OFFICIALS INDICATED BRITISH CABINET MADE DECISION TO PROCEED WITH AUSTRALIAN NEGOTIATIONS SEPTEMBER 5 AFTER MINISTER PEART RETURNED FROM EEC MEETING SEPTEMBER 3 WITH NEGATIVE RESPONSE TO REQUEST FOR INCREASED SUPPLIES OF EEC SUGAR.

2. GOA INFORMED OF DECISION AND NORTHERN DEVELOPMENT SECRETARY LIVINGSTON ACCOMPANIED BY GAVIN CAMPBELL, CHIEF CSR LTD. SUGAR DIVISION, PROCEEDED TO LONDON AT SHORT NOTICE SEPTEMBER 7. CSR CONSULTANT PERCY WHEEN ALREADY IN UK. DRAFT AGREEMENT EXPECTED TO BE COMPLETED FOR SUBMISSION TO UK CABINET SEPTEMBER 12, WHICH WILL GIVE MINISTER PEART CONCRETE PROPOSALS FOR DISCUSSION WITH EEC COUNCIL OF AG. MINISTER SEPTEMBER 17. ON PRESENT INDICATIONS UK WILL PRESS FOR EARLY DELIVERY OF ABOUT 200,000 TONS TO MEET CRITICAL PERIOD DECEMBER/JANUARY. GOA HAS MADE IT CLEAR THAT AUSTRALIA IS PREPARED TO INCREASE QUANTITIES OF SUGAR DURING TRANSITION PERIOD FROM CSA TO PROTOCOL 22A SITUATION ONLY ON CONDITIONS THAT AUSTRALIAN SUGAR INDUSTRY FULLY PROTECTED BY FURTHER LONG TERM AGREEMENT. PROPOSED FIVE-YEAR AGREEMENT FOR QUANTITY SIMILAR TO THAT NOW UNDER CSA, I.E. ABOUT 360,000 TONS PER ANNUM. ALTHOUGH EEC DELEGATION LED BY SOAMES STRESSED TO GOA SUGAR SALES TO EEC POSSIBLE WITHOUT ANY SPECIFIC AGREEMENT, GOA NOT PREPARED TO MAKE ANY COMMITMENTS SUBJECT TO SUGAR CAP.

3. OUTCOME OF NEGOTIATIONS WILL DEPEND ON EEC REACTION TO UK PROPOSALS AND BARGAINING POSITIVE VIS-A-VIS FRENCH, HOWEVER, GOA OFFICIALS BELIEVE THAT SOME QUID-PRO-QUO ARRANGEMENT IS POLITICALLY FEASIBLE. THEY ALSO SUGGEST THAT UK STILL HAS SOME SOVEREIGNTY UNTIL END 1974 WHEN CSA EXPIRES, AND COULD PRESENT EEC WITH FAIT ACCOMPLI SIMILAR TO RECENT UNILATERAL ACTIONS BY ITALY ON BEEF IF EEC OPPOSITION STRONG.

4. GOA NEGOTIATORS APPARENTLY PLAN TO BASE PRICING NEGOTIATIONS ON EEC PRODUCER PRICE PLUS PROVISION OF INCREASE IF PRODUCER PRICE INCREASED WHEN NEW SUGAR CAP DETERMINED JULY NEXT. ON LIMITED OFFICIAL USE

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QUANTITY THEY WILL PROBABLY BE PREPARED TO GIVE SOME WAY, AND ULTIMATELY THEY MAY HAVE TO SETTLE FOR 300,000 TONS. HOWEVER, THEY WILL INSIST ON A MINIMUM OF FIVE YEARS, AS THE AUSTRALIAN INDUSTRY COULD NOT BE EXPECTED TO INCREASE PRODUCTION ON PROMISES AND HOPES WHICH MAY NOT MATERIALIZE. THE GOA NEGOTIATORS ARE EXPECTED TO REMAIN IN LONDON FOR ABOUT TWO WEEKS, AND MINISTER PATTERSON MAY GO TO UK WHEN NEGOTIATIONS REACH FINAL STAGE. GREEN

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: SUGAR, TRADE, MEETING AGENDA, FOREIGN POLICY POSITION, AGRICULTURAL POLICIES
Control Number: n/a
Copy: SINGLE
Draft Date: 11 SEP 1974
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: golinofr
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974CANBER05963
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D740254-0295
From: CANBERRA
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1974/newtext/t19740957/aaaabvzd.tel
Line Count: 115
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EB
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators:
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: EC BRUSSELS 6894
Review Action: RELEASED, APPROVED
Review Authority: golinofr
Review Comment: n/a
Review Content Flags:
Review Date: 03 APR 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <03 APR 2002 by collinp0>; APPROVED <02 JUL 2002 by golinofr>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: AUSTRALIA/UK SUGAR DISCUSSIONS
TAGS: EAGR, ETRD, EGEN, AS, UK, EEC
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005